Education Finance and Decentralization in Korea: Design Characteristics, Issues, and Policy Implications

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Why Education Decentralization?

- Local community people know better their educational problems and needs (e.g., inefficiency, inequity, ..) and thus can come up with better policy solutions.

  ▷ Plan & Provide Education based on Local Needs
  ▷ Enhance Efficiency and Equity in Educational Service Provision through Autonomous Administration & Financial Management
  ▷ Secure Accountability for Educ. Administration and Finance
  ▷ Thus Improve Access, Quality and Equity
Features of Education Decentralization

- Roles of Central and Local Governments
  - Central G: Strategic Plan & Evaluation, Financial & Admin. Support
  - School: Teaching & Learning

- Representativeness
  - Superintendent: ‘Governor for Education’
  - Education Board Members: ‘Subcommittee for Education in Local Assembly’

- School Governing Board

- Transfer/Delegation of Power
  - Central G. → Local G. → Schools
Conditions for Successful Decentralization

- Sufficient Budget to meet Educ. Needs
  - Local Government / Central Government

- Professional/Administrative Capacity to Plan, Implement, and M&E

- Representativeness of Local Education Administration
  (Superintendent, Education Board Members)
  - Culture of Autonomy

- Accountability Measure

- Coordination Mechanism between Central and Local Governments and within Local Government
Structure of Decentralized System in Educ.

- Introduced Decentralized System in Education (i.e., Kindergarten, Elementary, and Secondary Schooling) in 1991 – 7 Metropolitan Cities and 9 Provinces
- Two Administration Systems
  - General Admin. vs. Educational Admin.
    -- Governor vs. Superintendent
  - General Assembly vs. Education Board
    -- Assembly Members vs. Board Members
- Two Budget Accounts
  - General Account vs. Special Account for Local Education
Why Separate Administration and Budget Account System?

- To Formulate and Implement Education Policies in Politically Neutral Ways
- To Secure Budget Sufficient Enough to Provide Quality Education
- To Plan and Use Educ. Budget in Professional Manner
Decentralized Administration System in Education

- Qualification & Election of Superintendent
- R & R of Superintendent
- Qualification & Election of Educ. Board Members
- R & R of Educ. Board Members
- Relationship with Governor and Local Assembly
- Relationship with Central Government
Election and R&R of Superintendent

- Qualification and Election
  
  © Professional Capacity / Representativeness

- Roles & Responsibilities
  - Education Finance, Opening & Closing of Schools, Curriculum management, Acquisition & Disposal of Property, Creating a Fund, Personnel Administration
  - No Authority for Tax Collection
  
  © Administrative Capacity / Budget
Election and R&R of Educ. Board Members

- Qualification and Election (7 to 15 members)
    No affiliation with a political party

- Roles & Responsibilities
  - Review and vote on Bills on Budget & Balancing Accounts, Acquisition & Disposal of Property, Opening/Management of Public Facilities (e.g., schools, library, research institute)
  - Bills: Need to get approved by Local Assembly (until 2007)

© Professional Capacity / Representativeness

© Administrative Capacity / Coordination
Relationship with Governor and Local Assembly

- **Relationship with Governor**
  - By Law Governor should provide Educ. Budget for building & operating public schools and improving educ. environment from General Account to Special Account for Local Education.
    - Local Educ. Tax, 45% of Cigarette Tax, 3.6% (10,5) of Local Tax
    - 5.3% in 2000, 17.3% in 2005, 18.6% in 2009
  - Governor can provide additional budget as requested by Superintendent or directly to Schools on his/her own judgment.
  - ‘Council for Local Educ. Admin.’ – G and S can discuss.

- **Relationship with Local Assembly**
  - From 2007, Education Board plays a role of standing committee for education in Local Assembly (solved inefficiency problem of double approval procedure).

© *Coordination*
Relationship with Central Government

- Education Ministry Provides Most of Local Education Budget through Local Education Grant (Block Grant) and National Subsidy (for Implementing Education Ministry’s Policy).
  - 70.3% in 2000, 69.2% in 2005, 76.4% in 2009
  - Tax base = National 80 : Local 20
- Education Ministry Provides Guidelines for School Administration, Curriculum Management, etc.

◎ Budget / Coordination
Decentralized Educ. Finance System

- Main Sources of Educ. Finance
  - Central Government: Ministry of Education, Science and Technology
  - Local Governments
    -- 16 Metropolitan & Provincial Offices of Education
    -- 16 Metropolitan & Provincial Administration
  - Parents and Students
  - School Juridical Persons(School Foundations)
Budget Distribution Mechanism

- Distribution of Government Budget to Schools

Central Gov’t

Local Education Authorities

Schools

MOE Budget

Special Account for Local Education

General Account for Local Administration

National/Public Schools

Private Schools

School Foundation
Distribution from Central Government to Local Education Authority

- **General Grant – Adequacy, Equity & Efficiency**
  - To guarantee Equal Educational Expenditure for All Students in Each Province
  - 96/100 of 20.27% of internal tax revenue + Educ. Tax
  - Grant = Standard Fiscal Demand - Standard Fiscal Revenue

- **Special Grant**
  - To Support Unexpected Financial Demands (special central government’s projects, local educational needs, natural disaster, revenue decrease etc.)
  - To be provided as an incentive to high-performing LEA
  - 4/100 of 20.27% of internal tax revenue

- **Central Government Subsidy**
  - 76.4% of MOE Budget to Local Ed. Au. In 2009
Standard Fiscal Demand and Standard Fiscal Revenue of Local Education Authority

- **Standard Fiscal Demand**: Calculated on the basis of budget items (personnel salary, expenses for curriculum management by school level, admin. cost, school facility, etc.)(A) and unit cost for each item(B)
  - \( \sum (# \text{ of each item}) \times (\text{unit cost of each item}) \)

- **Standard Fiscal Revenue**: Estimated Sum of Local Education Tax, Tuition & Fees, Transfer from General Account of Local Government
Distribution from Local Educ. Authority to Schools

- 16 Different Distribution Mechanisms
- Distributes on the basis of Unit Cost per School, per Class, per Student, and/or per Teacher by School Type
- Provides additional Supports for special needs like the Maintenance of Gym and Auditorium

© Not include Teachers’ Salary, School Construction Cost, and LEA Projects’ Budget which amount to 86% of LEA’s Total Budget (2008)
Effectiveness of Decentralized Education Finance

- Expected Effects
  - Adequacy & Stability: More Budget for Local Education
  - Responsiveness & Efficiency: Efficient Finance Mgt.
  - Equity: Less Difference in Educ. Investment
  - Autonomy: More Power in Local Gov. and Schools
  - Improved Educational Outputs (e.g., higher test scores and advancement rates, lower student-to-teacher ratio and drop-outs)
  - Accountability
Effectiveness of Decentralized Education Finance

- **Actual Results**
  - **Budget**: Depends on Economy and New Budget Demand
    (e.g., teacher salary increase due to decrease in S-to-T ratio)
    -- Alternative: Use Separate Budget Codes for Key Items
    (e.g., teacher salary, school construction)
  - **Finance Management**: Not Easy to Assess due to long period of education investment return, different viewpoints to judge investment effect (e.g., merge of small schools), and weak empirical study base
  - **Distribution**: Improved Method to Estimate SFD
    -- Combination of [weighted # of students] and [Actual Budget Demand for Teacher Salary and School Construction]
  - **Autonomy**: Reduced Amount of Special Grant
  - **Educational Output**: Hard to Assess
    -- No Hard Data Available to analyze real ‘net’ effect of decentralization of education finance
  - **Accountability**: Limited Scientific Evidence
School Finance

- Introduced ‘School Budget Account System’ in 2001
  - To Give More Autonomy to Schools
- However, LEAs control schools by guidelines for school budget plan and financial management and
- Transfer small portion of the budget to school budget account
  - 14.0% of LEA’s budget, 50.9% of which is earmarked by LEA’s own projects (2008)
School Finance

- Do LEA and Schools have Financial and Self-governing/managing Capacity to Realize the very purpose of SBM?
  - SBM requires human and financial resources and technical inputs in addition to legal delegation of power (for curriculum design & management, personnel management, etc.).

- Needs to Increase the Portion of LEA Budget transferred to School (reduce the portion of LEA’s own projects’ budget), to Provide Technical Assistance, and to Evaluate School’s Financial Management Process and Results
Issues in Designing and Implementing Decentralized Education Finance in Korea

- Securing Sufficient Budget for Local Education Development with Stability
- Representativeness of Local Education Needs
  - What qualifications are needed to be a head and board members of Local Educ. Admin., and how to elect them
- Accountability Measures
  - Who is responsible for what and who is going to check their performance on what basis?
- Professional/Administrative Capacity of Superintendent, Board Members, Administrative Personnel, School Principals, and Teachers
- Coordination among Governments
Policy Implications

- Need to Check following Points before or in Decentralizing Education Finance System
  - Budget Capacity of Local/Central Government
  - Professional/Administrative Capacity of Local Government and Schools
  - Representativeness + Culture of Autonomy
  - Accountability Measures
  - Coordination Mechanism among Governments
  - Scientific Study
Thank you!